



THE CITY OF SAN DIEGO
M E M O R A N D U M

DATE: August 3, 2010

TO: Honorable Members of the City Council

FROM: Mary Lewis, Chief Financial Officer *Mary Lewis*

SUBJECT: Citywide Reforms and Associated Savings and Budget Reductions – **REVISED**

This memorandum has been revised to add additional reforms and the significant budget reductions that have been enacted since FY2007 to improve the fiscal condition of the City.

City Reforms and Savings

- 25 BPR studies and over 400 FTEs permanently eliminated: \$39 million in savings and \$4.6 million in cost avoidance.
- Park and Recreation Park Maintenance Efficiency Study: \$600,000 in savings included in the FY2011 budget (and approved in the December 2009 budget action.)
- Warehouse consolidation: \$157,000 saved.
- Pension Reform: **General Members and Police: FY 2009 New Plan ARC Savings:** Cheiron estimates cumulative annual savings ramping up as new employees are hired. \$500,000 in ARC savings is estimated in FY2011, growing to additional savings of \$700,000 to \$900,000 annually, with the long term annual savings estimated to be \$17 million in 2030 and \$28 million in 2040. **POA and Lifeguards: 2012 New Plan ARC Savings:** These reforms are expected to increase ARC savings starting in 2013 by an additional \$100,000 annually, with savings accumulating to a projected \$1.5 million in 2030 and to \$2.6 million in annual ARC savings in 2040. (Cheiron used the same actuarial assumptions from the June 30, 2009 actuarial assumptions to arrive at these estimates.)
- 4-10-5 Refuse and Recycling Collection Schedule: \$2.2 million savings in the Recycling Fund and \$2.4 million General Fund. These savings were included in the FY2011 budget.
- ESD Energy Division: The division reports saving \$1 million annually from reforms.
- City Fleet: Fleet Division eliminated underutilized vehicles to save a projected \$3.4 million in FY 2011.

- Revisions to fees associated with the City's Solid Waste System
 - Refuse Hauler Franchise Fee increase generated \$1.7 million for the General Fund
 - AB939 Fee increase generated \$3.2 million for the Recycling Fund
 - Refuse Disposal Fee generated \$1.9 million for the Refuse Disposal Fund
- Formation of Tourism Marketing District: \$10.6 million annual savings.
- Implemented City wide ERP system and cleaned up funds to free up \$45.5 million in available funds for the General Fund.
- Since January 2009, refinanced \$1.14 billion in existing debt to save the City \$9.1 million annually in debt service payments. Includes annual savings of \$1.3 million from refinancing Qualcomm stadium bonds.
- Transferred the debt service payments for PETCO Park to Center City Development Corporation, saving the City \$11.3 million. (Refunded PETCO Park bonds saving \$3.7 million annually in debt service payments.)
- Additional pension reform and savings:
 - Reduction in DROP interest rate saved \$1.4 million in the FY2011 ARC payment
 - Citywide salary freeze saved \$8.6 million in FY2011 ARC payment
- Updated existing user fees and established new fees to increase cost recovery: \$6.5 million.

Total Savings from City Reforms: \$153.2 million annual savings citywide to date from these reforms excluding the cumulative savings from pension reform. Pension reform adds another \$19.6 million in annual savings that will be achieved in 20 years, with immediate annual savings ramping up in \$600,000 to \$1 million increments.

Budget Reductions

- Streamlined operations to save over \$71.3 million in personnel expenditures by eliminating 1,012 positions Citywide since Fiscal Year 2007.
 - Positions Cut in FY2007 38.00 or \$1.7 million
 - Positions Cut in FY2008 240.39 or \$17.7 million
 - Positions Cut in FY2009 45.82 or \$3.3 million
 - Positions Cut in FY2010 157.18 or \$14.5 million
 - Positions Cut in FY2011 530.93 or \$34.1 million
- Reduced General Fund non-personnel expenditures (contracts, equipment outlay, and supplies) by \$8.3 million in the FY2009 budget.
- Reduced General Fund non-personnel expenditures (contracts, equipment outlay, and supplies) by \$11.7 million in the FY2010 budget.

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- Reduced non-personnel expenditures by \$35.8 million in the Fiscal Year 2011 budget.
 - Includes Information Technology savings to the General Fund of \$3 million
 - Includes Arts and Culture TOT support reduction of \$0.7 million
 - Includes Convention Center TOT support reduction of \$0.5 million
 - Includes the savings related to the increase of vehicle replacement lifecycle by 2 years of \$6.7 million
 - Includes the budget reduction to contracts from the Storm Water Department of \$2.5 million
- Implemented "Rolling Brown-Outs" and eliminated \$11.5 million in budgeted overtime.
- Fiscal Year 2010 concessions from labor negotiations generated \$43.8 million (General Fund portion of \$32.9 million.)

Total Budget Reductions: \$182.4 million annual savings citywide to date from these budget reductions.

Grand Total Reforms and Savings: \$335.6 million

Mary Lewis
Chief Financial Officer

cc: Jay M. Goldstone, Chief Operating Officer
Wally Hill, Assistant Chief Operating Officer
Andrea Tevlin, Independent Budget Analyst